



# Completion Report

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Project Number: 46220-001  
Technical Assistance Number: 8710  
June 2016

## Armenia: Strengthening Sector Management Capacity in Road and Water Sectors

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TA Number, Country, and Name:			Amount Approved: \$900,000.00	
TA 8710-ARM: Strengthening Sector Management in Road and Water Sectors			Revised Amount:	
Executing Agency: Ministry of Finance		Source of Funding: TASF-Others	Amount Undisbursed: \$36,340.63	Amount Utilized: \$863,659.37
TA Approval Date: 28 August 2014	TA Signing Date: 19 September 2014	Fielding of First Consultants: 9 December 2014	TA Completion Date Original: 30 September 2015 Account Closing Date Original: 31 March 2016	Actual: 31 December 2015 Actual: 30 April 2016
<p><b>Description.</b> As a result of insufficient maintenance budgets and poor management Armenia's infrastructure assets have been deteriorating and limiting the economic life of capital investments with negative impacts on economic growth and human welfare. This capacity development technical assistance (TA) was attached to the policy based Infrastructure Sustainability Support Program (ISSP) carried out in 2014 and 2015 that aims to improve the sustainability of infrastructure investments and related service provision in the road transport and water sectors through results-based management systems. The TA supported the government in an effective and timely implementation of ISSP tranche 2 policy actions, in producing the following outputs: (i) a drinking water supply sector strategy and financing plan, (ii) draft amendments to align relevant legislation with the sector strategy, and (iii) a financing for road maintenance. The TA also provided training and advice to the Ministry of Finance (MOF), Ministry of Transport and Communication (MOTC), the Public Sector Regulatory Commission (PSRC) and the State Committee for Water Economy (SCWE) to (i) introduce results-based budgeting in the water and road sectors, including identification of key performance indicators; (ii) carry out public information for road and water users; (iii) develop and manage the water asset register; and (iv) introduce and carry out risk-based audits in both sectors.</p> <p><b>Expected Impact, Outcome, and Outputs.</b> The expected impact was improved service delivery in the road transport and water supply sectors. The expected outcome was implementation of results-based management systems in the road transport and water supply sectors. The expected outputs include: (i) sector management systems improved, (ii) strategies and processes to allocate investments more efficiently developed, (iii) regulatory frameworks improved, and (iv) monitoring systems strengthened.</p> <p><b>Delivery of Inputs and Conduct of Activities.</b> The TA was declared effective in September 2014 with an original closing date of 30 September 2015. On 19 June 2015 the closing date was extended by 6 months to 31 December 2015 to facilitate completion of ISSP policy actions. Consulting services were contracted through a firm covering 7 international experts (18 person-months) and 2 nationals (12 person-months). In addition individual consulting contracts covered 3 international experts (5.5 person-months) and 5 nationals (31 person-months). The performance of the firm was satisfactory and the experts performed the required tasks in a timely and professional manner, and the firm's project director coordinating well with ADB ensuring timely delivery of milestone documents. The performance of the individually selected consultants was satisfactory and they worked well with the consulting firm's team.</p> <p>MOF was the executing agency and MOTC, PSRC and SCWE the implementing agencies. Executing and implementing agencies performed satisfactorily.</p> <p><b>Evaluation of Outputs and Achievement of Outcome.</b></p> <p>Through the TA the government achieved the ISSP outcome "results-based management systems implemented in the road transport and water supply sectors. The most difficult challenges in meeting this outcome were: building an understanding with officials in MOTC and SCWE to think about their operations in terms of outputs and how their work will improve roads and water supply. Once this context is understood, the officials were able to develop key performance indicators to measure their</p>				

performance in line with the government's program budgeting objectives. Alongside this, much effort was needed to work with MOTC and SCWE to think over a longer timeframe and the financial consequences of this. Through this process, comprehensive financing plans were able to be delivered for road transport and water delivery. Evidence is emerging of the sustainability of the reforms, including moving to greater private sector participation in water delivery, increased financing in road maintenance and MOTC and SCWE able to refine further their program budgeting changes.

The consultants also supported the government in the following three areas. First, the internal audit units of MOTC and SCWE had dedicated experts for 6 months each to build their internal audit units systems and processes, and work alongside them in conducting specific audits. Second, MOTC staff received training to understand the practical implications of the road financing strategy and carry out road maintenance prioritization under the existing funding constraints. Third, SCWE were trained to communicate the water sector strategy including the government's decision to move from four companies to a single company to deliver reticulated water across Armenia. This policy decision had significant implications for the government's role in water policy, funding capital works and trying to balance competing objectives in terms of sanitation, irrigation, off-grid water supply and on-grid water supply.

The experts assisted the government in meeting the following policy actions under ISSP tranche 2:

- i) drafting of a water supply and sanitation sector strategy and financing plan as well as a functional review of the government agencies in the water sector to eliminate duplication.
- ii) drafting a road financing strategy.
- iii) drafting a water sector policy statement setting out the government's role as shareholder in the water companies it has an equity interest in.
- iv) preparing a draft Budget statement presenting the financing flows in the water sector (including budgetary exemptions) and
- v) drafting a financial framework for SCWE consistent with the medium term expenditure framework (MTEF) to enable clearer presentation of their budgetary expenditures in the MTEF.

**Overall Assessment and Rating.** The TA was highly successful. Recruitment of consultants was done efficiently meeting the government's needs. The firm managed its consultants well, and communicated well with ADB. The experts provided by the firm and the individual consultants worked well together, facilitating ADB's management of the program. The consultants formed good relationships with the relevant government agencies, which was critical for the successful implementation of reforms under ISSP tranche 2.

**Major Lessons.** The success of the TA can be attributed to the fact that the consultants worked well with the relevant government agencies in customizing good international practice to the realities and needs of Armenia. This resulted in tangible reforms. The positive working relationship between government agencies, ADB and the consultants helped resolve issues in a practical and timely manner.

**Recommendations and Follow-Up Actions.** The design of policy based programs need to reflect strong advocating for reform while ensuring government ownership and actions within its absorptive capacity. TA support is useful in program design and calibration of policy actions within the government's absorptive capacity.